How Citizens Value Tax Money?

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Why thinking about the Value of Tax Money?

• Mark Moore (1995), Creating Public Value: Strategic Management in Government:
  “The aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value.” (p.28)
  – The popular culture may view the government as “inefficient”, “bureaucratic”, “unproductive” and may not see the government as a “value-creating” organization.

Why thinking about the Value of Tax Money?

• Moore (1995):
  “In a society that celebrates private consumption more than the achievement of collective goals, values individual liberty greatly, and sees private entrepreneurship as a far more important engine of social and economic development than governmental effort, the resources required by public managers are only grudgingly surrendered.

What is “Value”?

• Spano (2009): “Every thing has a value when somebody is willing to face a sacrifice to get it” (p. 330)
• Beck-Jørgensen (2006) and Benington (2009, p. 237) go beyond the utilitarian logic and point out that value is a conception of the desirable that influences the modes, means, and ends of actions and is influenced by the ecological, political, social, and cultural setting of an individual or a group of individuals.

How to Measure “Value of Taxation”?

• Typical private sector models:
  – “Value” is measured by the shareholder value or the stock price of a publicly traded company, which, in theory, should have captured the tangible and intangible, and objective and subjective values of the company over time through market actions.
  – Value can also be measured by sales, operating, and financial information. ....

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Examples of Private Company Values

- Discounted cash flow
- Net present value
- Disposal value
- Book value
- Brand value
- Franchise value
- Intellectual capital value
- Acquisition value
- Fair market value

How to Measure the “Value of Taxation”? (Source: Knight (1998), Value-Based Management, p. 30)

- Goodwill value
- Liquidation value
- Forced sale value

How to Measure the “Value of Taxation”? (Talbot, 2010, p. 128)

- Sacrifice of individual liberty
- Social equity/equal access to services/procedural fairness
- Legality/justice
- Democracy/participation/voice
- Transparency
- Human dignity
- Ethics/integrity/honesty
- Common good

How to Measure the “Value of Taxation”?

- Program performance measurement (input, activities -- output -- outcome)
- Program evaluation (outcome and impacts)*
- Benefit-cost analysis (social net return)
- Cost-effectiveness analysis*
- Customer satisfaction
- Citizen satisfaction
- Citizen/political official satisfaction*

*Moore (1995) argues that program evaluation and cost-effectiveness analysis are more superior than BCA. He also argues that citizen and elected official satisfaction, which is an ultimate measure in the political process, should be differentiated from customer satisfaction (pp. 35-38).

How to Measure the “Value of Taxation”?

- Stern (1927, p. 41): Value is not something, but something has value in the perception of an observer.
- Implications:
  - Value of taxation is judgmental and subjective
  - Value of taxation is “values-based”/“normative”
  - The perceived value of taxation often differs among individuals due to different framing factors, such as individual experiences, ideologies and beliefs, and the larger social institutional contexts.

How to Measure the “Value of Taxation”?

- Information/public communication of the results of public services is also important
  - The impacts of many public goods and services are diffused, intangible, and unobservable by the average citizens
  - Many may not experience the activities and impact of public services personally
  - Public expectation and satisfaction are formulated on information

A Conceptual Model of the Value of Taxation

- Governance factors
- Actual Performance
- Structural factors
- Perceived Value of taxation
- Priorities/Importance
- Personal Experiences
- Communication
We obtained the citizen survey data, 311 requests, and crime data from the city. We mapped the data by neighborhoods. We merged the data with the 2010 Census data at the block group level. We also matched the survey month with the month of the city data.

Empirical Test: Kansas City, MO

Merging the 311 case data with the survey data

Methodology

We calculated the number of 311 cases by case type (31 types), by month (Jan – Dec, 2011-2014), and by neighborhood (240 neighborhoods in KCMO). We then matched the neighborhood statistics with the citizen survey month and calculated the number of cases for the prior 1-3 months, and the number of cases for the prior 4-6 months in each neighborhood. We also calculated the caseload change in the 6-month period to see if the neighborhood situation has improved or not.

Satisfaction with the Value for Taxation

<table>
<thead>
<tr>
<th>Value for Taxation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>11.55%</td>
<td>24.51%</td>
<td>33.89%</td>
<td>24.83%</td>
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<tr>
<td>2011-2012</td>
<td>11.47%</td>
<td>20.95%</td>
<td>37.51%</td>
<td>24.27%</td>
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<td>2012-2013</td>
<td>9.20%</td>
<td>21.92%</td>
<td>34.14%</td>
<td>29.30%</td>
<td>5.44%</td>
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<tr>
<td>2013-2014</td>
<td>7.82%</td>
<td>20.59%</td>
<td>34.98%</td>
<td>31.19%</td>
<td>5.42%</td>
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</tbody>
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Group of Independent Variables

- **Governance factors:** satisfaction with the ethics of leadership, city communication effectiveness, public involvement
- **Service factors:**
  - The efficiency and number of complaints of various neighborhood services
  - Satisfaction with various services
- **Personal experiences:** Crime victim, used the ambulance, contacted 311, visited parks, used public transit, visited city website, visited community center

Group of Independent Variables

- **Personal control variables:** age, race, gender, household income, renter
- **Census block group characteristics:**
  - African American%, Hispanic%, Single-parent household%, Housing built before 1970%, Rental housing%, block group population size
- **Factors that need more emphasize:**
  - Factors rated by citizens that should receive more attention in the future
Statistically significant factors influencing the public’s satisfaction with the value for taxation, 2011-2014

Odd ratios and R-squared

- Significant factors:
  - R-squared: 0.38, Likelihood ratio: 2,497.69***
  - R-squared: 0.50, Likelihood ratio: 3,626.74***

- Not significant factors:
  - Satisfactions with animal control, side walk, fire & EMS, illegal dumping clean-up, street cleanliness
  - Visited community center; visited parks
  - BKGP: Hispanic%; single parent household%; block group population size;
  - Female, crime victim, age<35, household income < 30K; Hispanic

What lessons can we learn from these findings?

- Citizen satisfaction with the value of taxation is often driven by subjective perceptions, expectations, and socio-economic structural factors
  - The impact of actual performance may not matter substantially
  - Challenges: How to respond to different citizen groups’ expectations and different satisfaction drivers? How to deal with some of the structural factors?
What lessons can we learn from these findings?

- Satisfaction with infrastructural conditions seems to be important to the perceived value of taxation
  - e.g., street maintenance issues, storm water infrastructure

- Customer service satisfaction is also important

What lessons can we learn from these findings?

- Governance factors, such as ethics of the leadership, city communication, and satisfaction with public involvement, are important.
  - The importance of “non-mission” factors in the public sector
  - Engagement and better communication certainly help
  - Demonstrating integrity and ethical practices is also important

What lessons can we learn from these findings?

- Personal experience of public services helps improve the perception of the value of taxation
  - e.g., experience with the ambulance services, 311 center, city website, public transportation ...
  - Dilemma: Those who pay more to the government may not need the government and experience governmental services most, while those who benefit most from governmental services often pay less

What lessons can we learn from these findings?

- There are always unhappy taxpayers no matter how hard you have tried to improve the efficiency and effectiveness of services!!
  - Better communication may help mitigate the negative effects of certain factors

Questions, Comments, and Suggestions?

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